

EXHIBIT 26
(Filed Under Seal)

Agribusiness & Fertilizer
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Important Disclosures Found In Appendix
 7/15/09

Smithfield Foods (SFD: \$13.51, BUY)

Tyson Foods (TSN: \$12.95, NEUTRAL)

Pork Industry: TSN Sow Liquidation A Step in the Right Direction (Cleveland Research)

Key Takeaways

- TSN has announced that it will reduce its sow herd by 20,000 head over the next 10 weeks. This represents roughly 29% of the firm's hog production operations, but represents less than 1% of the US herd. TSN is the 11th largest hog producer, with only 2% of the US sow herd. Importantly, this follows SFD's announced 30,000 sow reduction last month and several subsequent small and mid-sized herd liquidations.
- Our contacts suggest herd liquidation is continuing, albeit at a slow pace. The latest USDA suggests sow slaughter continues to run below year-ago levels, with the industry currently killing 67,000 sows weekly. Kills are still well below full capacity (roughly 75K) and 10-14% below relatively good liquidation in the year-ago period.
- Producers are calling for a voluntary 10% reduction in weights. A producer-sponsored rally was held yesterday in Minnesota at which several mid-sized producers suggested the industry attempt to drop weights roughly 25 lbs. per hog. While we believe there may be a modest drop in weights, we believe cheaper corn (down 23% yr/yr) is likely to make this a less likely proposition. We also view lower weights as the least sustainable cut in production, which would not help the overall supply-demand imbalance longer term.
- We continue to estimate production losses at \$27/head even with the recent improvement in hog prices. Cooler-than-normal weather in the early summer kept production levels above our expectations and, when combined with weaker demand following the outbreak of H1N1, depressed hog prices. However, hotter weather in recent weeks along with the normal seasonal drop in pig supplies has driven a 9% yr/yr drop in production and a recent improvement in hog prices.

Bottom Line

This herd reduction will not move the needle for TSN's pork group, but is another positive step by a mid-sized producer to reduce production. We continue to hear about smaller operations reducing their breeding herd, but more typically 5-10,000 sow operations. There have been few sizable operations (10K+) being liquidated and industry sow kills are still well below what is needed in order to restore profitability. We believe the industry will need to move closer to full sow kill capacity for 4-5 months in order to offset the productivity gains experienced in the past few years and better align supply and demand. We continue to look toward herd liquidation as the primary catalyst for improvement in hog production margins for SFD.

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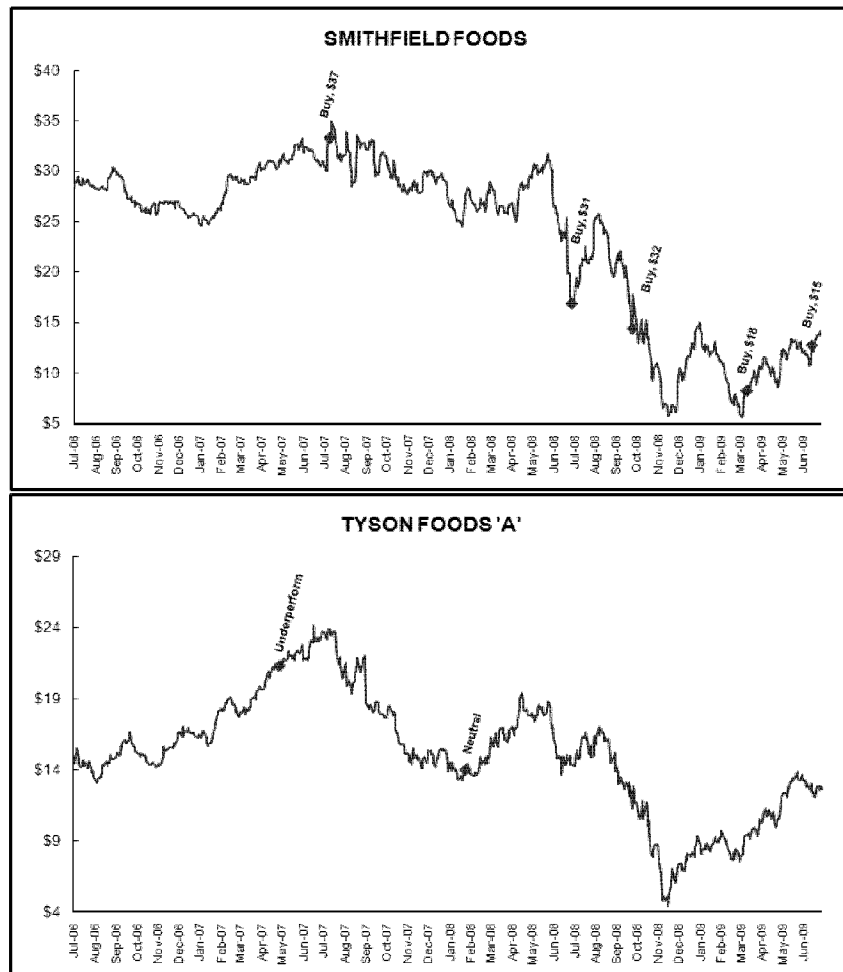
APPENDIX

Important Disclosures

Companies Mentioned

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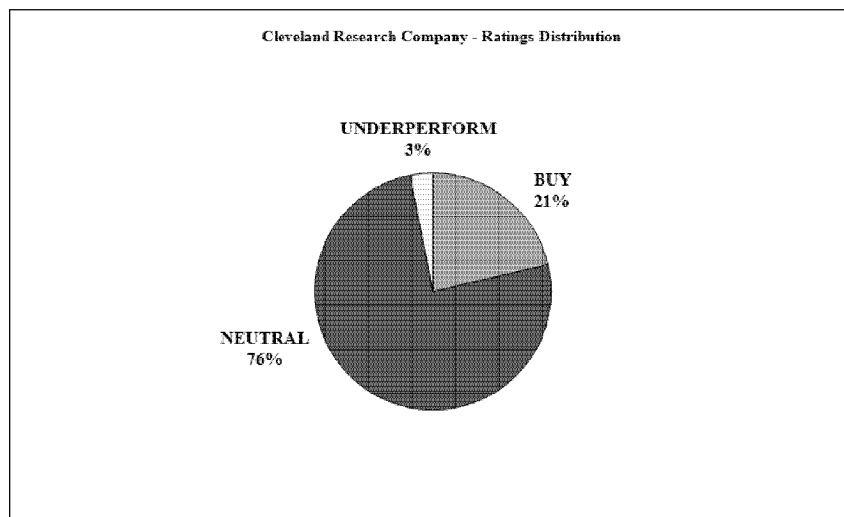
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Disclosures

Buy: The stock's return is expected to exceed the market due to superior fundamentals and positive catalysts.

Underperform: The stock's total return is expected to underperform the market due to weak fundamentals and a lack of catalysts.

Neutral: The stock is expected to be in line with the market due to full valuation and/or a lack of catalysts.

Valuation and Risk: Price targets are established under various valuation methods including P/E, P/S, EV/EBITDA on financial estimates based on forward earnings. Price targets are not established for every stock. The price target's effectiveness may be affected by various outside factors. Risk assessments can be found in the most recent research on these stocks.

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